



OFFICE OF INSPECTOR GENERAL U.S. Agency for International Development

MEMORANDUM

DATE: January 11, 2022

TO: Millennium Challenge Corporation, Chief Risk Officer, Lori Giblin

FROM: Director of External Financial Audit Division (IG/A/EFA), David A. McNeil /s/

SUBJECT: Financial Audit of MCC Resources Managed by Millennium Challenge Coordinating Unit Sierra Leone Under the Threshold Agreement, April 1, 2019 to March 31, 2020 (3-MCC-22-005-N)

This memorandum transmits the final audit report on Millennium Challenge Corporation (MCC) Resources Managed by Millennium Challenge Coordinating Unit Sierra Leone (MCCU Sierra Leone) for the period from April 1, 2019 to March 31, 2020. MCCU Sierra Leone contracted with the independent certified public accounting firm Ernst & Young Chartered Accountants to conduct the audit. The audit firm conducted the audit in accordance with generally accepted government auditing standards and MCC interim Guidelines for Financial Audits Contracted by the Millennium Challenge Corporation's Accountable entities. Ernst & Young stated that it performed its audit in accordance with generally accepted government auditing standards except that the audit firm did not have an external peer review because no such program is offered by professional organizations in Ghana, where the audit firm is located. The audit firm is responsible for the auditor's report and conclusions expressed in it. We do not express an opinion on MCCU Sierra Leone's fund accountability statement; the effectiveness of its internal control; or its compliance with the agreement, laws, and regulations.¹

The audit objectives were to (1) express an opinion on whether MCCU Sierra Leone's Fund Accountability Statement for the MCC-funded threshold program presents fairly, in all material respects, revenues, costs incurred, and assets and technical assistance directly procured by MCC for the period audited; (2) evaluate MCCU Sierra Leone's internal control's related to the threshold program to identify any significant deficiencies and material weaknesses as applicable; (3) determine whether MCCU Sierra Leone's complied with threshold program agreement terms and applicable laws and regulations and (4) review prior audit recommendations to ensure corrective actions have been taken. To answer the audit objectives, the audit firm conducted an

¹ We reviewed the audit firm's report for conformity with professional reporting standards. Our desk reviews are typically performed to identify any items needing clarification or issues requiring management attention. Desk reviews are limited to review of the audit report itself and excludes review of the auditor's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

audit of MCC's resources managed by MCCU Sierra Leone for the period from April 1, 2019, to March 31, 2020. Costs incurred for this period were \$10,851,207.

The audit firm concluded that the fund accountability statement presented fairly, in all material respects, program revenues, costs incurred and reimbursed under the agreement for the period audited except for \$1,500 in total questioned costs (\$1,500 ineligible) in non-compliance with the Program Procurement Guidelines (PPG) in contracting a consultant. The audit firm noted three significant deficiencies in internal control associated with the following: fixed asset register not comprehensive; procurement requisition notes for some procurements not on file; and no report from implementing entities on fixed assets in their custody. The audit firm did not identify any material weaknesses in internal control. Additionally, the audit firm noted four material instances of noncompliance relating to traveling advances not accounted for within the time limits, long outstanding advances, late payment of withholding taxes and non-compliance with the PPG in contracting a consultant. Since the questioned costs did not meet OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation. Nevertheless, we suggest that Millennium Challenge Corporation determine the allowability of the \$1,500 in ineligible questioned costs and recover any amount determined to be unallowable. Although, we are not making a recommendation for significant deficiencies noted in the report, we suggest that MCC determine if the recipient addressed the issues noted.

To address the issues identified in the report, we recommend that MCC:

Recommendation I. Verify that Millennium Challenge Coordinating Unit Sierra Leone corrects the four material instances of noncompliance detailed on pages 26 to 31 of the final audit report.

We ask that you provide your written notification of actions planned or taken to reach management decision.

OIG does not routinely distribute independent public accounting reports beyond the immediate addressees because a high percentage of these reports contain information restricted from release under the Trade Secrets Act, 18 U.S.C. 1905 and Freedom of Information Act Exemption Four, 5 U.S.C. 552(b)(4) ("commercial or financial information obtained from a person that is privileged or confidential").